

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:)
)
 Electronic Application of Bluegrass)
 Water Utility Operating Company, LLC)
 For an Adjustment of Water and)
 Sewage Rates) **Case No. 2025-00354**
)

**BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S
RESPONSES TO COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION**

Bluegrass Water Utility Operating Company, LLC (“Bluegrass Water” or the “Company”), by counsel, files its responses to Commission Staff’s Second Requests for Information, issued in the above-captioned case on February 13, 2026.

FILED: March 2, 2026

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-1: Refer to Bluegrass Water's current tariffs and proposed tariffs
provided as Exhibit AJS-3A and Exhibit AJS-4A.

- a. Confirm that Boyle County should be added to the list of counties that receive sewer services on the coversheet. If not confirmed, explain the response.
- b. Confirm that Graves County and Randview, individually, should be removed from the coversheet and Sheet No. 1.2. If not confirmed, explain the response.
- c. Confirm that Equestrian Woods Subdivision is also referred to as Springcrest. If not confirmed, explain the response.

RESPONSE:

- A. Confirmed. Boyle County should be added to the list of counties that receive sewer services on the coversheet. Currently, Bluegrass Water provides wastewater services in the Commonwealth Wastewater service area. Please refer to Exhibit PSC 2-1 for this update.
- B. Confirmed. Graves County and Randview Subdivision should be removed from the coversheet and Sheet No. 1.2. Please see attachment "PSC 2-1 - Exhibit AJS 4A and Exhibit AJS 4B" reflected this update.
- C. Confirmed.

Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory Operations

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-2: Refer to the Direct Testimony of Matthew Howard (Howard Direct Testimony). Provide all exhibits and work papers in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

RESPONSE: Please see Exhibit PSC 2-2 – MH Workpapers, containing Workpapers 01 through 23 and “Bluegrass Water Howard Electronic Exhibit.”

Witness: Matthew Howard, Director, Scott Madden, Inc.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-3: Refer to the Howard Direct Testimony, page 7, Table 3. Refer also to the Howard Direct Testimony at 53.

- a. Explain if there are any specific business risks that are associated with Bluegrass Water other than size and acquiring troubled water/wastewater systems.**
- b. Explain the rationale behind applying a business risk adjustment of one percent when the Commission has historically rejected the use of flotation cost adjustments, financial risk adjustments, and explicit size adjustments in Return on Equity (ROE) analyses.**

RESPONSE:

- a. Yes, there are. Bluegrass Water likely faces many typical business risks, including operational risks such as procuring goods and equipment, competition for labor, etc. Size and Bluegrass Water's acquisitions of troubled water and wastewater systems are specific to Bluegrass Water relative to the proxy group and should be considered in assessing the Company's risk. In addition, the Company's history of negative net income reflects the elevated level of business risk.
- b. Mr. Howard did not make a financial risk adjustment for Bluegrass Water or account for flotation costs. Regarding Bluegrass Water's size adjustment, as shown on pages 53 through 59 of Mr. Howard's Direct Testimony, size is a risk factor

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

considered by market participants and should be considered in conjunction with
Bluegrass Water's unique operational risk.

Witness: Matthew Howard, Director, Scott Madden, Inc.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-4: Provide a list of Bluegrass Water's regulated affiliates.

- a. State where each regulated affiliate is located.**
- b. Explain whether size adjustments were made by the state regulatory authority in authorizing the affiliate's rate of return.**
- c. If size adjustments were made, explain what size adjustment was used in the rate of return calculation approved by the state regulatory authority.**

RESPONSE:

- a. A list of the regulated affiliates, and the state of operation, can be found in Exhibit JC-1 attached to Mr. Cox' testimony.
- b. To date, rate cases have been filed for affiliates in Arizona, Florida, Louisiana, Missouri, Mississippi, Tennessee, and Texas. Outside of Florida, as that rate case is currently ongoing, the Louisiana, and Mississippi rate cases were resolved through a black-box settlement. The Arizona, Missouri, Texas, and Tennessee cases were not settled but were resolved through Commission orders. In the Arizona, Missouri, Texas, and Tennessee proceedings, the Commissions authorized the affiliates' rates of return, reflecting consideration of various risk factors, including company specific characteristics, as discussed in the respective Commission orders. In each instance, the authorized rates of return were higher than those approved for certain other water utilities, consistent with the Commissions' consideration of

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

these risk factors. The final Commission decisions for those cases are available on
the respective Commission websites.

- c. Please see the response provided to Request No. 2-4, part b.

Witness: **Aaron Silas, Assistant Vice President of Customer Experience and
Regulatory Operations.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-5: Refer to the Howard Direct Testimony at 12.

- a. For each utility included in the Utility Proxy Group, provide the *Value Line Investment Survey* company profile sheets from October 3, 2025, that support Bluegrass Water's ROE analyses.
- b. For each utility included in the Utility Proxy Group, provide the *Value Line Investment Survey* company profile sheets from January 2, 2026, or later if available at the time of the response.

RESPONSE:

- a. Please refer to Exhibits provided in response to Request No. 2-2, specifically Workpaper 21.
- b. Please see attached Exhibit PSC 2-5 – VLI Study.

Witness: Matthew Howard, Director, Scott Madden, Inc.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-6: Refer to the Howard Direct Testimony at 55. Explain whether Bluegrass Water considered any alternative method to the median market-to-book ratio when conducting its estimated market capitalization analysis.

RESPONSE: Mr. Howard did not consider an alternative method to the median market-to-book ratio. Because Bluegrass Water's equity is not publicly-traded, to determine the market value of that equity, it is appropriate to apply a market-to-book ratio to the book value of Bluegrass Water's equity. Market-to-book ratios are a common measure used within the financial community.

Witness: Matthew Howard, Director, Scott Madden, Inc.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES, CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-7: Refer to the Howard Direct Testimony, Exhibit MRH-2. Refer also to Case No. 2022-00432,¹ final Order at 85.

- a. Confirm that in Case 2022-00432, the Commission utilized a hypothetical capital structure comprised of a 50 percent common equity ratio and a 50 percent long-term debt ratio. If not confirmed, explain the response.**
- b. Explain why Bluegrass Water included Global Water Resources, Inc. in the Utility Proxy Group when its 2024 Total Debt Ratio was 72.01 percent and its 2024 Common Equity ratio was 27.99 percent.**
- c. Explain the impact that excluding Global Water Resources, Inc. in the Utility Proxy Group would have on Bluegrass Water's ROE analyses.**

RESPONSE:

- a. Confirmed.
- b. As noted in Mr. Howard's Direct Testimony at page 6, the selection criteria should provide a group of companies that reflects Bluegrass Water's operations, which is a 100.00 percent rate regulated water utility, while also allowing for an assessment of risk through the use of market data. Global Water Resources, Inc. passed the proxy group selection criteria shown on page 12 of Mr. Howard's Direct

¹ Case No. 2022-00432, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Sewage Rates* (Ky. PSC Feb. 14, 2024), final Order at 85.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Testimony, which indicates that its operations are comparable to those of Bluegrass
Water.

- c. Global Water Resources, Inc's. ("GWRS") indicated DCF and CAPM results were outliers and were not included in the indicated mean and median DCF and CAPM results, respectively. Also, because GWRS does not maintain a credit rating, the RPM results would be unchanged. Given this, the results of Mr. Howard's ROE analyses would be unchanged.

Witness: Matthew Howard, Director, Scott Madden, Inc.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

**REQUEST NO. 2-8: Refer to the Direct Testimony of Aaron Silas (Silas Direct
Testimony), pages 6-7.**

- a. Provide a copy of the Welcome Letter(s) sent to each of the systems Bluegrass
Water serves.**
- b. Provide a copy of the “hard-copy community specific mailers” that were sent
to customers in each system from 2020-2025.**

RESPONSE:

- A. The Company only sends a “Welcome Letter” to new customers of the Company following the acquisition of an additional system. Since implementing the updated Welcome Letters, the Company has only closed on one additional system. Accordingly, the Welcome Letter provided as Exhibit PSC 2-8(a) reflects the Welcome Letter sent to customers of that system, Magruder Village.
- B. The Company began sending community specific mailers in 2024. Attached as Exhibit PSC 2-8(b) are copies of the hardcopy, community-specific customer mailers distributed to customers in the systems served by Bluegrass Water during the period 2024–2025.

**Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory
Operations**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-9: Refer to the Direct Testimony of Aaron Silas (Silas Direct Testimony), page 9. Explain how Central States Water Resources (CSWR) allocates third-party vendor expenses to Bluegrass Water.

RESPONSE: Third-party expenses incurred at the CSWR,LLC (CSWR) level are directly charged or allocated to Bluegrass Water in accordance with the Corporate Allocation Manual ("CAM"), which is provided in Exhibit PSC 1-1, and as described in the Direct Testimony of Caitlin O'Reilly (Exhibit 14). For example, costs incurred from Intelogix, CSWR's call center operations firm, are allocated based on the supporting data related to billable hours. Accordingly, Bluegrass Water receives a share of the total cost determined by the number of calls, emails, and back-office functions tied directly to Bluegrass Water.

Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory Operations

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-10: Refer to the Silas Direct Testimony, pages 21-23. Provide an updated class equivalencies analysis in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

RESPONSE: The Company did not perform an updated class equivalencies analysis in this case. As stated in the Silas Direct Testimony, the Company's unmetered wastewater operations do not permit a traditional class-specific demand study. However, in the Company's last rate case, Case No. 2022-00432, the Company retained Mr. Timothy Lyons, who provided testimony that Bluegrass Water applies to its commercial/non-residential class an equivalency of 2.5 times that of the residential class, and applies to the multifamily class an equivalency of 0.75 times that of the residential class.² Mr. Lyons further provided testimony that these equivalencies fairly allocate the cost of service among the Company's various classes of customers.³ Because there has not been a meaningful change in the number of wastewater customers since the last rate case, the Company has proposed utilizing these class equivalencies in the current case.

Further, to assist the parties and the Commission, Bluegrass Water is providing, as Exhibit PSC 2-10, the revenue forecast model used in this filing. This spreadsheet includes historical and projected revenues and billing determinants for 2022–2029. While this information is not a class

² See *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC For an Adjustment of Sewage Rates*, PSC Case No. 2022-00432, Direct Testimony of Timothy S. Lyons, pp. 4-5.

³ *Id.* at 5.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

cost study or class equivalency study, it represents the underlying data used to support the
Company's revenue forecasts.

**Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory
Operations**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-11: Refer to the Silas Direct Testimony, page 23, lines 1-5. Provide further explanation as to why an updated rate design study was not performed in the preparation of this filing given the significant proposed increase to wastewater revenues of 103.33 percent.

RESPONSE: Bluegrass Water did not perform an updated rate design study because the composition and usage characteristics of Bluegrass Water's customer base have not materially changed since the prior rate case. As indicated in the Response to PSC 2-10, the wastewater operations remain unmetered. Furthermore, the number of wastewater customers has not materially changed since the Company's last rate case, Case No. 2022-00432. Because no new metered demand data exists and the underlying customer characteristics remain consistent with those previously evaluated in the last case, commissioning a new rate design study would not have produced materially different or more useful results. To avoid unnecessary expense to customers, the Company therefore relied upon the existing rate design framework.

Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory Operations

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-12: Refer to the Silas Direct Testimony, page 23. Provide and explain the cost justification study behind allocating 40 percent of the wastewater revenue requirement to the Delaplain non-residential class in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

RESPONSE: Bluegrass Water did not commission a cost justification study for its revenue requirement allocation. Bluegrass Water allocated 40 percent of the Delaplain wastewater revenue requirement to the nonresidential class to reflect the proportionate impact those customers impose on system capacity, treatment processes, and long-term capital requirements. Delaplain serves a concentrated commercial and industrial corridor whose hydraulic loading, organic strength, and peak flow contributions materially exceed those of residential users.

As documented in the Company's CPCN application and the Commission's Final Order in Case No. 202200104, the Delaplain facility experienced significant compliance and capacity deficiencies tied directly to the volume and characteristics of incoming wastewater. The Commission found that Delaplain incurred 66 effluent exceedances since 2019—including ammonia, BOD, TSS, and E. coli—and that the existing aeration and clarification systems were not capable of handling the prevailing loading profile.⁴ The Commission further determined that

⁴ *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC For Certificates of Convenience and Necessity for Projects at the Delaplain Site*, Case No. 2022-00104 (Ky. PSC Mar. 30, 2023), Order.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

major capital improvements, including the MBBR treatment system and solids handling upgrades, were required to restore compliant operation.⁵

Consistent with the Facilities Plan Guidance (401 KAR 5:006) and the Ten State Standards for Wastewater Facilities, design basis flow allocation is determined by the relative loading imposed by different customer categories, using established per capita and design flow equivalents for residential and commercial users. Because the commercial and industrial users in the Delaplain Industrial Park impose significantly higher design basis loading, allocating 40 percent of the Delaplain revenue requirement to the nonresidential class aligns cost recovery with the customers who principally drive system capacity needs, treatment requirements, and the capital improvements necessary to maintain compliant service.

Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory Operations

⁵ *Id.*

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-13: Refer to the Silas Direct Testimony, page 27. Provide and explain the cost justification study for the proposed \$83.50 inspection fee in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

RESPONSE: Bluegrass Water did not commission a cost justification study for the proposed inspection fee. The proposed \$82.50 inspection fee was developed by multiplying the hourly rate charged by the Company's operations firm by 0.75 to reflect an estimated 45 minutes of labor required to complete a standard inspection. Because this fee is derived directly from contractor labor rates and expected time on site, no standalone cost justification study was performed. However, the expected time on site was based upon the Company's experience with an average inspection.

Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory Operations

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-14: Refer to the Silas Direct Testimony, pages 29-30.

- a. Explain how the proposed new tap fee will be calculated on a per instance basis.**
- b. Provide the calculation of the proposed new tap fee.**
- c. Explain each cost component used to calculate the “actual cost” for a new connection.**

RESPONSE:

- A. The Company will complete a site-specific quote for each new tap or connection based on the circumstances of that request. The actual cost of connection may vary depending on the size and location of the connection, the surrounding topography, and whether additional work—such as a road bore—is required.
- B. Because the actual cost of connection varies for reasons set forth in (a), there is no uniformly calculated tap fee. The total charge provided to the customer will reflect the actual cost of completing that specific connection.
- C. Each quote will include the actual materials, labor, and any special costs needed to complete the installation. These components may include, but are not limited to, road bores, split connections, site-specific permits, or unforeseen obstructions. The itemized quote is provided to the potential customer prior to beginning work.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: **Aaron Silas, Assistant Vice President of Customer Experience & Regulatory
Operations**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES, CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-15: Refer to the Silas Direct Testimony, pages 29-30. Explain and provide examples of any other wastewater and/or water utility in the Commonwealth of Kentucky that establishes new connections using “actual costs” per customer instead of a set fee.

RESPONSE: Bluegrass Water is aware that the Commission has approved of connection policies in various circumstances based on actual costs for other wastewater and water utilities in Kentucky. For example, Warren County Water District's Tariff charges a fee, plus actual costs for a service line extension in excess of 60 feet for installation of a 5/8 x 3/4 inch meter. For larger meters, the Commission approved Warren County Water District's tap fee of “the actual cost of the water service connection,” as well as pre-payment of the estimated actual cost.⁶ Similarly, the Grant County Sanitary Sewer District charges a tap in fee to commercial customers at “Actual Cost Basis.”⁷ The Knott County Water District charges a “Sewer Connection Fee” of “Actual Cost.”⁸

Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory Operations

⁶ Rates & Charges – Rules & Regulations, Warren County Water District, <https://psc.ky.gov/tariffs/Water/Districts.%20Associations.%20%26%20Privately%20Owned/Warren%20County%20Water%20District/Tariff.pdf>, at Sheet No. 7.

⁷ Rates – Charges – Rules – Regulations, Grant County Sanitary Sewer District, <https://psc.ky.gov/tariffs/sewer/grant%20county%20sanitary%20sewer%20district/tariff.pdf>

⁸ Rates, Rules and Regulations for Water and Sewer Services, Knott County Water and Sewer District, <https://psc.ky.gov/tariffs/Water/Districts.%20Associations.%20%26%20Privately%20Owned/Knott%20County%20Water%20%26%20Sewer%20District/Tariff.pdf>.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

**REQUEST NO. 2-16: Refer to the Silas Direct Testimony, pages 29-30. Explain how
Bluegrass Water will track and account for the “actual cost” to establish new connections.**

RESPONSE: Please see the Company’s response to PSC DR 2-14. Once the actual cost for a new connection is billed, Bluegrass Water will code the amount relating to the new tap as Contribution in Aid of Construction (CIAC). To ensure the customer is only charged “actual costs,” Bluegrass Water will ensure that its third-party operations firm provides a proposal for an individual customer that will be provided to the customer for approval prior to beginning work, and the third-party vendor will submit a final invoice for each individual new connection to ensure that the customer pays actual cost.

**Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory
Operations**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-17: Refer to the Silas Direct Testimony, pages 30-31. Provide the cost justification study for the proposed two new non-recurring charges in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

RESPONSE: Bluegrass Water did not commission a cost justification study for the returned check fee and the late fee for its water customers. The attached Exhibit PSC 2-17 demonstrates that the proposed returned check charge is a direct passthrough of the returned check fee assessed to the Company from the Company's bank. With respect to the late fee, Bluegrass Water proposes implementing a late fee identical to that currently being charged to its wastewater customers. During Bluegrass Water's last rate case the Commission held that "late fees are important for Bluegrass Water to ensure timely payment and limit costs associated with late payments that could ultimately be paid by other customers," and approved a 10 percent late fee for sewer customers.⁹ For these same reasons, Bluegrass Water is simply seeking approval of the same 10 percent late fee for water customers.

Witness: Aaron Silas, Assistant Vice President of Customer Experience & Regulatory Operations

⁹ *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Sewage Rates*, Case No. 2022-00432 (Ky. PSC Feb. 14, 2024), Order.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-18: Refer to the Post Case filing in Case No. 2022-00432 filed

January 28, 2026.

- a. Provide the exhibit in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.**
- b. Explain what actions Bluegrass Water has taken to reduce the number of customers who make late payments on a monthly basis.**
- c. Explain whether Bluegrass Water intends to reach out to customers with recurring late payments.**
- d. If Bluegrass Water has made efforts to contact customers regarding recurring delinquent bills, provide copies of any mailings or a summary of those efforts.**

RESPONSE:

- a. A copy of the "Ordering Paragraph 5 Report" filed in Case No. 2022-00432 on January 28, 2026 in Excel format is attached hereto as Exhibit PSC 2-18a.
- b. To reduce the number of customers who make late payments, Bluegrass Water has expanded customer payment options to reduce barriers to payment, including local, telephone, and online payment methods such as check, PayPal, Venmo, and Apple Pay. For example, customers can pay locally at participating stores with CheckFreePay capabilities.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

- c. Bluegrass Water does not intend to reach out to individual customers with recurring late payments.
- d. Bluegrass Water has not reached out to individual customers with delinquent bills, except to provide the requisite notice pursuant to 807 KAR 5:006, Section 15. Please see attached Exhibit PSC 2-18d – Disconnect Notice.

Witness: Emily Harlow, Manager of Rates and Revenue

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES, CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-19: Refer to the Direct Testimony of Caitlin O'Reilly (O'Reilly Direct Testimony) at 8.

- a. Confirm that Bluegrass Water utilizes the Personal Consumption Expenditures (PCE) Price Index in its annual internal budgeting process.**
- b. If not confirmed, provide a narrative explanation as to how Bluegrass Water budgets its expenses on an annual basis and explain how that budgeting process is reflected in the test year for all expenses which utilized the PCE Price Index.**

RESPONSE:

- a. Deny. Bluegrass Water does not use the Personal Consumption Expenditures (PCE) Price Index for annual internal budgeting process.
- b. Bluegrass Water does not rely on a single macroeconomic index such as the PCE Price Index in the Company's internal annual budgeting process. Because the Company's operations are characterized by ongoing system acquisitions, integration activities, and facility specific operating requirements, budgets are developed using a bottoms-up approach that evaluates expected costs by facility and major cost category. This process incorporates known contractual changes, planned operational initiatives, staffing needs, and recent vendor and input cost trends, and is reviewed by regional operations management.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

For purposes of the Bluegrass Water rate case, the PCE Price Index was applied to certain expense categories solely as a normalization and escalation tool to reflect expected general cost inflation between historical experience and the test period. This approach is consistent with the Company's budgeting framework in that it provides a reasonable forward projection of costs in the absence of facility specific known changes, while more material or known cost drivers are reflected through the Company's standard bottoms-up planning and management review process.

Witness: Caitlin O'Reilly, Accounting Manager – Regulatory Accounting

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-20: Refer to the O'Reilly Direct Testimony, page 8, lines 7–11, which states that the PCE Price Index was utilized to project maintenance and administrative costs.

- a. Explain why the PCE Index, which is described as taking a broader, more comprehensive approach than the Consumer Price Index (CPI), was chosen specifically for these utility-specific cost categories.
- b. Provide a comparison of the impact on the revenue requirement if the standard CPI had been used in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

RESPONSE:

- a. The PCE Index monitors changes in prices of goods and services consumed by all household and nonprofit institutions serving households, whereas the CPI index only monitors change in out-of-pocket expenditures for all urban households for a particular set of goods. Most of the customers that Bluegrass Water serves are in rural communities, and such data is not included in the CPI index. Secondly, the PCE Index also includes more changes relating to out-of-pocket expenses in its calculation than the CPI. Lastly, PCE Index percentages are generally lower than the CPI percentages, which is attributable in large part to the fact the PCE excludes food and energy where prices tend to swing up or down more dramatically. Using

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

the CPI could result in higher forecasted expenses. For the forward-looking test period, the PCE rates are forecasted at 3.0%, 2.6%, 2.1% and 2.0% while the CPI are forecasted at 3.0%, 2.8%, 2.4% and 2.2%.

- b. Please see Motion for Extension of Time.

Witness: Caitlin O'Reilly, Accounting Manager – Regulatory Accounting

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-21: Refer to the O'Reilly Direct Testimony, page 8, lines 1–6, which states the property taxes are projected using a rate of 0.00109 multiplied by future capital plant in service. Explain if this calculation accounts for depreciation and amortization, if tax is applied to the gross plant value.

RESPONSE: Bluegrass Water calculates property tax on gross plant value. Depreciation and amortization are not included in the calculations.

Witness: Caitlin O'Reilly, Accounting Manager – Regulatory Accounting

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

**REQUEST NO. 2-22: Refer to the O'Reilly Direct Testimony, page 28, in which
Bluegrass Water proposes to amortize rate case expense over a three-year period.**

- a. Explain the impact of a longer amortization period on ratepayers.**
- b. Explain whether Bluegrass Water anticipates unrecovered rate case expense in a subsequent proceeding. If so, explain the impact of extending the amortization period.**

RESPONSE:

- a. A longer amortization period to recover rate case expense would decrease the amount ratepayers are paying in the short term. However, depending on the frequency of future rate cases the cumulative effects of unrecovered rate case expenses for multiple cases could reverse any short-term benefit.
- b. Bluegrass Water filed its last sewer rate case February 27, 2023, approximately 3 years ago. If the Company extended the amortization period, the impact would result in unrecovered expenses. Bluegrass Water does not have a predetermined schedule for filing future rate cases. The timing of any subsequent rate filing depends on a variety of factors, including changes in operating costs, capital investment requirements, customer growth, and overall financial performance. The Company generally evaluates the need for a rate case when existing rates are no

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

longer sufficient to recover its Commission-approved cost of service on an ongoing
basis.

Witness: Caitlin O'Reilly, Accounting Manager – Regulatory Accounting

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-23: Refer to the Direct Testimony of Brent Thies (Thies Direct Testimony), page 11 and Case No, 2022-00104, March 30, 2023 and May 9, 2024 Orders.¹⁰ Explain why Bluegrass Water did not request approval of the material change in project costs once its estimated construction costs increased by approximately \$900,000.

RESPONSE: Paragraph 2 of the Commission's March 30, 2023 Order in Case No. 2022 requires the Company to "notify" the Commission of material increases in costs or significant delays in constructions. Paragraph 3 of the same Commission Order requires the Company to seek "prior approval" of a material deviation in the construction plan approved by the Commission. On December 20, 2023, Bluegrass Water provided notice of a change in cost and sought approval of a material deviation to the previous plans approved by the Commission; specifically, approval of relocation of the filter building at Delaplain. The Commission approved the change in the plans on May 9, 2024.

On October 22, 2025, Bluegrass Water provided notice of the change in the cost of the project (to approximately \$2,300,000) and advised the Commission that the scope of the construction plans had not materially changed the Commission approved the updated plans on May 9, 2024.

¹⁰ Case No. 2022-00104, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for Certificates of Convenience and Necessity for Projects at the Delaplain Site* (Ky. PSC Mar. 30, 2023) and (Ky. PSC May 9, 2024).

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-24: Refer to the Thies Direct Testimony, page 11.

- a. Provide the status of the Delaplain project.**
- b. Provide the citations to the record and identify any amounts included in the base period and forecasted test year for the Delaplain project.**

RESPONSE:

- a. The Delaplain project remains under construction and is nearing completion, with a punch list currently expected in March 2026. Bluegrass Water experienced schedule delays to allow installation of additional components (e.g., valves, pumps, and maintenance bypass lines), and now expects system startup and operator training to occur by the end of April 2026, followed by project closeout.
- b. Please see attached Exhibit PSC 2-24b – Delaplain Assets.

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-25: Refer to the Thies Direct Testimony, page 26, lines 16-21.

Provide an explanation as to how the consolidation of small system acquisitions into CSWR creates economies of scale for the following services:

- a. Legal**
- b. Engineering**
- c. Accounting**
- d. Human Resources**
- e. Customer Experience**
- f. Any other Business Service**

RESPONSE: Because of its significantly larger size, CSWR, on behalf of its affiliated utilities, can achieve economies of scale - i.e., lower unit costs for many goods and services necessary to operate a system - than are available to small utilities on a stand-alone basis. The services such as legal, engineering, accounting, human resources, customer experience, and any other business service are mostly rendered by employees of CSWR, whose costs are allocated to Bluegrass Water and its affiliates according to a Cost Allocation Manual, which is provided as Exhibit PSC 1-1. In addition, the size of the CSWR affiliate group allows for a centralized legal department, in-house engineering, standardized accounting, reporting, budgeting, audit and tax support, centralized recruiting pipelines and consolidated payroll and benefits, 24/7 customer service and operations, and purchasing equipment and supplies in larger quantities, which allows

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

the group to take advantage of vendor discounts available to large and repeat customers. Being part of a large, affiliated group of utilities also allows small systems to reap the benefits of operational efficiencies that would otherwise not be available to these systems.

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-26: Refer to the Thies Direct Testimony, page 21.

- a. Provide what capital projects, along with the estimated costs and estimated timeline, will be completed by March 31, 2026, for both water and wastewater systems.
- b. Provide what capital projects, along with the estimated costs and estimated timeline, will be completed after March 31, 2026, but on or before January 2027 for both water and wastewater systems.

RESPONSE: Please see Exhibit PSC 2-26 – Capital Projects.

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-27: Refer to the Thies Direct Testimony, page 40. Explain what investments were made to the Randview system and provide a list of the correlating expenses totaling \$173,410.

RESPONSE: Please refer to attached Exhibit PSC 2-27 – Randview, for the list of investments and correlating expenses.

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-28: Refer to the Thies Direct Testimony, page 44, lines 1-8. Provide the calculation of the percentage Bluegrass Water used to determine the \$15,181 return on investment.

RESPONSE: The return on investment of \$15,181 presented in Thies Direct Testimony was based on a calculation using 8.75% WACC and has been revised to reflect the correct rate of return for the forecast period using capital structure presented in the Direct Testimony of Matt Howard. The updated return on investment is \$15,846.90. Please refer to Exhibit PSC 2-28 - ROI – Randview for the revised calculation.

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-29: Refer to the Thies Direct Testimony, page 45, lines 20–26.

- a. Explain the basis for a bad debt rate of 1 percent.**
- b. Provide Bluegrass Water's annual actual bad debt expense for 2021 through 2025. Include separate water and waste water operations in response. Provide this response in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.**

RESPONSE:

- a. The 1% methodology used by Bluegrass Water has been reviewed by management and determined to be reasonable and sufficient as a conservative, normalized estimate based on bad debt experience across the eleven-state footprint of the CSWR-affiliated utility group.
- b. Please refer to the attachments labeled Exhibit PSC 2-29 – Bad Debt Expense.

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-30: Refer to the Thies Direct Testimony, page 50.

- a. Provide the amount of monthly late payment revenues collected for each month for November and December 2025.
- b. Provide the percentage of customers assessed a late fee, monthly, for years 2024 and 2025.

RESPONSE: Please see attached Exhibit PSC 2-30 – Late Payments.

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-31: Refer to the Thies Direct Testimony, page 52. Explain how the expected late fees of \$51,983 for the forward-looking test period were determined. Provide this response in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

RESPONSE: Please refer to Exhibit PSC 2-10 – Revenue Forecast, on Excel tab labeled “Late Fees Sewer,” for the determination of the expected late fees. The expected late fees in Exhibit PSC 2-10 were determined by looking at the historical instances of late fees being billed by the Company. The expected late fees assume that the late fees will be consistent with historical averages.

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

**REQUEST NO. 2-32: Refer to the Direct Testimony of Jake Freeman (Freeman
Direct Testimony).**

- a. Provide compliance reports, by quarter, for all Bluegrass Water systems for the past five years.**
- b. For each system that Bluegrass Water services, state whether it is in compliance with all applicable health and environmental regulations. If Bluegrass Water is not in compliance with all health and environmental regulations, provide a list by system of which regulations Bluegrass Water is out of compliance and the regulations to which the noncompliance apply.**

RESPONSE:

- a. Please see the attached Exhibit PSC 2-32 – Compliance Reports, for all compliance reports, by quarter, for the past five years.
- b. All systems are currently considered in compliance. When Bluegrass Water submits a Discharge Monitoring Report (DMR) "with warning," the Kentucky Division of Water typically issues a Notice of Violation (NOV) for an exceedance. When a NOV is received, a cause and correction is given to understand and fix the issue. A NOV does not require a formal response unless called to Enforcement by DOW. None of the Company's facilities have been called to enforcement for formal action.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Jake Freeman, Director of Engineering

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-33: Refer to the Direct Testimony of Emily Harlow (Harlow Direct Testimony), Exhibit EMH-1. Provide a detailed explanation for the decline in residential sewer customer counts for the years 2023, 2024, and 2025.

RESPONSE: The Billing Determinates used in EMH-1 are based on the number of flat rates billed each month and not the total number of customers of Bluegrass Water. The billing determinate calculation includes the inward and outward movement of customers, which includes both vacant properties no longer billed and pro-ration of partial month's billings. The decline also reflects the sale of Randview system and the loss of that system's customers.

Witness: Emily Harlow, Manager of Rates and Revenue

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-34: Refer to the Harlow Direct Testimony, page 9, lines 6-10. State if there were any outliers in the 2022–2024 data that required normalization, or if it is a straight mathematical average.

RESPONSE: Bluegrass Water used a straight mathematical average to calculate monthly usage. The Company determined that no normalization was needed as there was no change in the number of customers during this period and no material changes in monthly usage for metered customers.

Witness: Emily Harlow, Manager of Rates and Revenue

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-35: Refer to the Harlow Direct Testimony, page 19, lines 6-7, in which it states that “new connection fees (tap fees) are recorded as Contributions in Aid of Construction (CIAC) and therefore do not affect net income or the revenue deficiency.” Explain whether the associated depreciation expense of those specific assets has been excluded from the revenue requirement.

RESPONSE: Bluegrass Water records new connection fees as Contributions in Aid of Construction (CIAC). The Company included CIAC along with corresponding depreciation in the rate base calculation.

Witness: Emily Harlow, Manager of Rates and Revenue

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-36: Refer to the Harlow Direct Testimony, page 21, lines 7-8 and 26. Confirm that, since there is no historical late fee data for water operations, the 1.93 percent frequency rate derived from wastewater was used as the basis for the number of customers who paid after their due date. If yes, explain why this rate is considered a reliable predictor for water operations. If not, explain how the frequency rate was derived.

RESPONSE: Bluegrass Water calculated water late fees by assessing the number of water customers who historically paid their bills after the due date, and then multiplying the revenue collected by the requested 10% fee (Harlow Direct Testimony pg. 21, lines 25-26 & pg 22 line 1). Please refer to Exhibit PSC 2-10 – Revenue Forecast, on Excel tab labeled “Late Fees Water,” which shows the number of customers who made late payments for water starting in December 2024. In contrast, the 1.93% used for the wastewater late fee represents the historical amounts of late fees charged stated as a percentage of wastewater base revenue (Harlow Direct Testimony, pg. 21 lines 7-8). Please refer to Exhibit PSC 2-10 – Revenue Forecast, on Excel tab labeled “Late Fees Sewer.”

Witness: Emily Harlow, Manager of Rates and Revenue

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

**REQUEST NO. 2-39: Refer to the Thomas Direct Testimony, Exhibit TT-3. Explain
how a 3 percent escalator is calculated between contract years.**

RESPONSE: Bluegrass Water follows the escalator terms per the agreement with the Company's third-party operations company, Clearwater Solutions, LLC. The terms of the agreement state "This monthly amount shall escalate by 3% for year 2 (May 1, 2025, through April 30, 2026) and by an additional 3% for year 3 (May 1, 2026, through April 30, 2027)."

Witness: Todd Thomas, Senior Vice President

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-40: Refer to the Thomas Direct Testimony, page 14, lines 7–14.

Explain what is expected to happen with the operator contract after April 2027.

RESPONSE: Following the expiration of the current operator agreement with Clearwater Solutions, LLC in April 2027, Bluegrass Water intends to rebid the operator contract. The Company is evaluating whether to conduct a competitive procurement process at that time to ensure continued reliable service and reasonable costs for customers.

Witness: Todd Thomas, Senior Vice President

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-41: Refer to the Thomas Direct Testimony, page 18. Explain how the duties of the Regional Manager, who also acts as a primary in-person customer representative, are allocated to avoid duplicative costs for ratepayers since Clearwater is responsible for interfacing with customers with service issues.

RESPONSE: Clearwater Solutions personnel will interact with customers, in the field, when tasked with day-to-day maintenance or emergencies that occur. Bluegrass Water's Regional Manager provides oversight and addresses only escalated customer issues that fall outside the operator's scope, ensuring functions are not duplicated and costs to ratepayers are minimized.

Witness: Todd Thomas, Senior Vice President

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-42: Refer to the Thomas Direct Testimony, pages 22-25, which states that the EHS team oversees PFAS sampling and Lead and Copper Rule (LCR) compliance and the EPA requires initial monitoring by April 2027. State if the ongoing laboratory fees and staff time for these federally mandated samplings are embedded in the Clearwater Monthly Fee or the CSWR Environmental, Health, and Safety (EHS) Team overhead.

RESPONSE: The CSWR Environmental, Health, and Safety Team (EHS) coordinates with Clearwater Solutions to determine sampling locations and scheduling the day and time of the sampling. Clearwater Solutions is responsible for sample collection, delivery and lab fees as part of the operations included in the Monthly Fee.

Witness: Todd Thomas, Senior Vice President

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-43: Refer to Freeman Direct Testimony, pages 7-10.

- a. **Provide all Notices of Violations issued by the Division of Water that over the last three years for water quality violations related to any system operated by Bluegrass Water.**
- b. **Provide all Agreed Orders with the Division of Water still in effect involving any system operated by Bluegrass Water.**

RESPONSE:

- a. Please refer to the attachments labeled Exhibit PSC 2-43a for copies of all Notices of Violations.
- b. Please refer to the attachments labeled Exhibit PSC 2-43b for copies of Agreed Orders for the Delaplain, Yung Farm Estates Subdivision, Persimmon Ridge, and Magruder Village wastewater treatment facilities.

Witness: Jake Freeman, Director of Engineering

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-53: Refer to Case No. 2022-00432, Feb. 14, 2024 Order at 58.

Confirm that Bluegrass Water bid out the operator contract for all systems together. If not confirmed, explain the response.

RESPONSE: Confirmed, Bluegrass Water bid the operator contract for all systems during the statewide rebid process.

Witness: Todd Thomas, Senior Vice President

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

**REQUEST NO. 2-54: Provide the amount of expenses allocated to Bluegrass Water
for business development and explain how this amount was determined.**

RESPONSE: CSWR, LLC removes costs related exclusively to business development activities before applying any overhead allocation factor. Therefore, no business development costs are included in this filing.

Witness: Caitlin O'Reilly, Accounting Manager – Regulatory Accounting

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

**REQUEST NO. 2-55: Provide the location and amounts of any capital or expense
related to remote monitoring.**

RESPONSE: Please see attached Exhibit PSC 2-55 - Remote Monitoring Capital &
Expense.

Witness: Caitlin O'Reilly, Accounting Manager – Regulatory Accounting

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

**REQUEST NO. 2-56: Refer to the Direct Testimony of Josiah Cox (Cox Direct
Testimony), pages 17-18.**

- a. Provide a detailed table that compares the cost-based rates of the Commonwealth Wastewater Systems, Yung Farm Estates, and Magruder Village service areas on a system-specific basis and consolidated basis.
- b. Provide the subsidization amounts in relation to Bluegrass Water's other systems for the base and test periods for each of the three newly acquired facilities.

RESPONSE:

- a. Please see attached Exhibit PSC 2-56 – Cost Basis.
- b. Please refer to the response provided in subpart a.

Witness: Emily Harlow, Manager of Rates and Revenue

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-57: Refer to the Cox Direct Testimony, page 19. Provide a detailed table that identifies the cross-subsidization among the respective systems.

RESPONSE: The Company does not maintain a table that identifies the cross-subsidization among the respective systems, and, due to the length of the time many of the systems have been on the unified rate, such a table would be difficult for the Company to create. As noted in the Commission's Order in Case No. 2020-00290, Bluegrass Water charges a unified rate to its customers in an effort to drive down costs for all customers in the long term. Because each system will eventually require significant improvements and upgrades, consolidated rates ensure that the customers on those particular systems do not experience rate shock by having to foot the entire bill for that system's improvements.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 2-59: To the extent that Bluegrass Water customers have metered water usage, provide a quote from each appropriate/applicable water utility serving Bluegrass Water customers as to what it would cost for Bluegrass Water to obtain that monthly water usage data for each service territory. Consider this an ongoing request.

RESPONSE: Bluegrass Water does not currently obtain monthly metered water usage data from other water utilities serving its customers. As a result, Bluegrass Water has not requested quotes from those utilities regarding the cost to obtain such data and does not have responsive information to provide at this time. Accordingly, no quotes exist for the service territories referenced in this request.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations.